



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

MARIA M. OMS  
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JUDI E THOMAS

June 5, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*  
Auditor-Controller

SUBJECT: **HATHAWAY-SYCAMORES CHILD AND FAMILY SERVICES – A  
WRAPAROUND PROGRAM AND DEPARTMENT OF MENTAL  
HEALTH SERVICES PROVIDER**

We completed a fiscal and program review of Hathaway-Sycamores Child and Family Services (Hathaway-Sycamores or Agency) to determine the Agency's compliance with two County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program and the Department of Mental Health (DMH) to provide mental health services.

**Background**

Under the Wraparound Program, Hathaway-Sycamores provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with DMH, Hathaway-Sycamores provides mental health services which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. Hathaway-Sycamores' offices are located in the First, Third and Fifth Districts.

DCFS paid Hathaway-Sycamores on a fee-for-service basis \$4,184 per child per month less placement costs or approximately \$4 million for Fiscal Year (FY) 2007-08. DMH paid Hathaway-Sycamores on a cost reimbursement basis between \$2.02 and \$4.82 per minute of staff time (\$121.20 to \$289.20 per hour) for services or approximately \$29 million for FY 2007-08.

### **Purpose/Methodology**

The purpose of the program review of the mental health services was to determine the appropriateness of the services provided. This included a review of a sample of the Agency's billings, participant charts, and personnel and payroll records. We also interviewed a number of the Agency's staff.

The purpose of the fiscal review of DCFS' Wraparound Program and mental health services was to determine whether Hathaway-Sycamores appropriately accounted for and spent Wraparound and DMH program funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

Hathaway-Sycamore's staff assigned to the County contracts possessed the required qualifications and the Agency maintained the required staffing levels. However, the Agency did not always comply with other contract provisions. For example:

- Hathaway-Sycamores billed DMH 517 (4%) service minutes for Targeted Case Management Services without providing linkage, consultation, placement services or plan development. The amount over billed totaled \$1,044.
- The Client Care Plans for four (16%) of the 25 clients sampled did not contain the clients and/or parents/guardians signatures indicating their participation in the development of the Client Care Plans.
- The Agency billed DMH \$4,146 in unsupported costs. Subsequent to our review, the Agency repaid DMH \$3,125 of the \$4,146, resulting in \$1,021 in questioned costs.

We have attached the details of our review along with recommendations for corrective action.

### **Review of Report**

We discussed the results of our review with Hathaway-Sycamores, DCFS and DMH on January 15, 2009. The Agency has agreed to repay DMH the remaining \$2,065 (\$1,044+\$1,021) in questioned costs identified in our report. In their attached response, the Agency indicated they concurred with the findings and recommendations. In addition, the Agency indicated they will submit a corrective action plan within 30 days to DMH and DCFS addressing each of the recommendations.

We thank Hathaway-Sycamores management for their assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Department of Children and Family Services  
Patricia S. Ploehn, Director  
Ted Myers, Chief Deputy Director  
Susan Kerr, Senior Deputy Director  
Hathaway-Sycamores Family Services  
William Martone, President/CEO  
Annsley Strong, Chair of the Board  
Henry Matson, Vice Chair of the Board  
Public Information Office  
Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS  
HATHAWAY-SYCAMORES CHILD AND FAMILY SERVICES  
FISCAL YEAR 2007-08**

**BILLED SERVICES**

**Objective**

Determine whether Hathaway-Sycamores Child and Family Services (Hathaway-Sycamores or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

**Verification**

We judgmentally selected 45 billings totaling 12,716 minutes from 1,231,265 service minutes of approved Medi-Cal billings for October and November 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 12,716 minutes represent services provided to 25 program participants.

**Results**

Hathaway-Sycamores over billed DMH 517 (4%) service minutes in our sample. Specifically, the Agency billed for Targeted Case Management Services but did not provide linkage, consultation, placement services or plan development, as required. The amount over billed totaled \$1,044.

In addition, Hathaway-Sycamores did not complete the Client Care Plans for four (16%) of 25 clients sampled in accordance with the County contract. Specifically, the Client Care Plans were not signed by the clients and/or parents/guardians indicating their participation in the development of the Client Care Plans as required by the contract.

**Recommendations**

**Hathaway-Sycamores management:**

- 1. Repay DMH \$1,044 or provide documentation to support the billings.**
- 2. Ensure that service minutes billed are allowable.**
- 3. Ensure Client Care Plans are completed in accordance with the County contract.**

**STAFFING LEVELS****Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency did not provide services that required staffing ratios for this particular program.

**Recommendation**

None.

**STAFFING QUALIFICATIONS****Objective**

Determine whether Hathaway-Sycamores' treatment staff possessed the required qualifications to provide the services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 21 of the 423 Agency's treatment staff that provided services to DMH clients during October and November 2007.

**Results**

Each employee in our sample possessed the qualifications required to deliver the services billed.

**Recommendation**

None.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

**Verification**

We interviewed Hathaway-Sycamores' management and reviewed the Agency's financial records. We also reviewed the Agency's February 2008 bank reconciliations for two bank accounts.

**Results**

Hathaway-Sycamores properly recorded and deposited cash receipts timely. In addition, the Agency prepared bank reconciliations appropriately. However, the Agency did not maintain adequate separation of duties over its cash handling. Specifically, the Agency's Chief Financial Officer reviews bank reconciliations and signs checks.

**Recommendation**

4. Hathaway-Sycamores management ensure that bank reconciliations are reviewed by a manager that is not an authorized check signer.

**COST ALLOCATION PLAN****Objective**

Determine whether Hathaway-Sycamores' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed Hathaway-Sycamores' Cost Allocation Plan and accounting records for Fiscal Year (FY) 2006-07 to ensure that expenditures were properly allocated to the Agency's programs.

**Results**

Hathaway-Sycamores' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Recommendation**

None.

## **EXPENDITURES**

### **Objective**

Determine whether the Agency accurately charged the DCFS Wraparound and DMH programs for expenditures that were allowable under their County contracts and properly documented.

### **Verification**

We reviewed financial records and documentation for 34 non-payroll expenditure transactions totaling \$124,983 (18 DMH and 16 Wraparound totaling \$98,479 and \$26,504, respectively) between July 2007 and February 2008. We also reviewed 10 administrative expenditures allocated to the DMH and Wraparound programs totaling \$51,489 (\$42,691 DMH and \$8,798 Wraparound).

### **Results**

Hathaway-Sycamores' expenditures for the Wraparound Program were allowable, properly documented, and accurately billed. However, the Agency charged the DMH program \$4,146 in questioned costs. Specifically, Hathaway-Sycamores charged:

- \$625 for an employee's going away dinner party. Subsequent to our review, the Agency reversed this charge from the program.
- \$2,500 for two expenditures that did not relate to the DMH program. Subsequent to our review, the Agency reversed this charge from the program.
- \$1,021 for client medications but did not maintain documentation to support that the client received the medications.

In addition, at the time of our review, Hathaway-Sycamores did not provide documentation to support four expenditures totaling \$79,858. Specifically, the expenditures were for sub-contracted psychiatric services. The Agency's contract with the psychiatrists requires them to work a minimum number of hours each month and provide timesheets to support compliance with this requirement. However, the Agency did not maintain timesheets as required.

Subsequent to our review, the Agency reduced their charges to the DMH program to repay \$3,125 (\$2,500+\$625) in questioned costs. The Agency management also subsequently provided timesheets signed by the contractors and Agency management certifying that the number hours worked each day, which met the minimum monthly requirement. The Agency needs to maintain documentation to support the hours worked by the contractors and ensure the amount agrees with the contractors' invoices.

**Recommendations****Hathaway-Sycamores management:**

5. Repay DMH \$1,021 or provide documentation to support the expenditures.
6. Maintain documentation to support program expenditures.
7. Charge only allowable program expenditures to the DMH program.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether fixed assets and equipment costs charged to DMH and the Wraparound programs were used by the programs and were adequately safeguarded.

**Verification**

We interviewed staff and reviewed the Agency's fixed assets and equipment listing. In addition, we performed a physical inventory of 15 items charged to the DMH and the Wraparound program.

**Results**

The Agency maintained a fixed assets and portable equipment listing. However, the portable equipment inventory listing did not include the item description, acquisition cost, source of funding and program(s) where the asset is used as required.

**Recommendation**

8. Hathaway-Sycamores management ensure the equipment listing identifies the assigned individual, an item description, acquisition cost, source of funding and program(s) where the asset is used.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound programs. In addition, determine whether Agency management authorized the salary rates paid to its employees.



**Verification**

We traced the payroll expenditures for 20 employees totaling \$35,817 to payroll records and time reports for February 2008. We also reviewed their personnel files and interviewed 18 employees.

**Results**

Hathaway-Sycamores' salaries and employee benefits were appropriately charged to the DMH and Wraparound Programs. In addition, the salary rates paid to its employees were authorized by Agency management.

**Recommendation**

None.

**COST REPORT****Objective**

Determine whether Hathaway-Sycamores' FY 2006-07 Cost Report reconciles to the Agency's accounting records.

**Verification**

We traced the Agency's FY 2006-07 Cost Report to the Agency's accounting records.

**Results**

Hathaway-Sycamores' Cost Report reconciled to the Agency's accounting records.

**Recommendation**

None.

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in prior monitoring review completed by the Auditor-Controller.

**Verification**

We verified whether the outstanding recommendations from the contract compliance review of Hathaway-Sycamores' Wraparound Program were implemented. The report was issued on December 26, 2006 and contained ten recommendations.

**Results**

Hathaway-Sycamores implemented nine (90%) of the ten recommendations. The Agency did not implement the recommendation related to ensuring that they maintain adequate documentation to support program expenditures. This issue was also noted during this review.

**Recommendation**

- 9. Refer to Recommendation 6.**



March 3, 2009

Ms. Wendy Watanabe  
Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-2766

Re: Wraparound & DMH Contract Fiscal Review Draft Report

Hathaway-Sycamores Child and Family Services has reviewed and concurred with the findings on the above referenced report. Hathaway-Sycamores will certainly review and incorporate all the recommendations listed into their procedures.

Hathaway-Sycamores and its management team appreciated the hard work and dedication of the audit team during this fiscal review. If you should have any questions, please do not hesitate to contact me at (626) 395-7100.

Sincerely,

A handwritten signature in black ink, appearing to read "William Martone". The signature is fluid and cursive, with a long horizontal stroke at the end.

William Martone  
President and CEO

WM/sa

